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ACTION NEA-10

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C O N F I D E N T I A L AMMAN 6383

E.O. 11652 GDS

TAGS: ETRD JO

SUBJECT: ANTI-BOYCOTT LEGISLATION/NEW ADMINISTRATION INITIATIVES

REF: STATE 250117, MANAMA 1583

1. INTERESTED AND KNOWLEDGEABLE JORDANIANS EFFECTIVELY ALL JORDANIANS WITH ANY INFLUENCE IN OTHER BUSINESS OR POLITICAL LIFE OR COUNTRY HAVE BEEN CONCERNED NOT TO SAY DISMAYED, WITH STRONG ANTI BOYCOTT LANGUAGE OF US LEGISLATORS AND PRESIDENTIAL CANDIDATES. ANAI BOYCOTT TRANSLATES INTO "PRO-ZIONISTS" OR "ANTI ARAB" WITH NO DISTINCTION BETWEEN LATTER TWO TERMS MADE HERE. IN COUNTRY WHERE ABOUT HALF OF POPULATION IS PALESTINIANS IMPACT AND CONCERN ARE BOTH WIDE AND GREAT. REACTION TO ANTO BOYCOTT PROVISIONS OF TSX REFORM ACT AND PRESPECTIVELY OF EXPORT ADMINISTRATION AND ARE FORMED IN THIS LIGHT THOUGH LOCAL UNDERSTANDING OF LEGISLATION IS NOT PRECISE. OCCASIONALLY EXPRESSED HOPE THAT STRIDENT ANTO BOYCOTT STATEMENTS IN US ARE ONLY TEMPORARY PHENENA OF US ELECTION YEAR SEEMS TO HAVE LITTLE FORCE OF CONVICTION. REACTION TAKES TWO GENERAL FORMS 1) THOUGH JORDANIANS AND GOY IN SOME CASES PREFER BUSINESS DEALINGS WITH US IT IS WIDELY BE
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LIEVED THAT COMPARABLE GOODS AND SERVICES CAN EASILY

BE OBTAINED FROM OTHER SOURCES. IF THE USG AND/OR AMERICAN FIRMS DO NOT WANT TO DO BUSINESS WITH THE ARABS ON CONDITIONS THAT ARABS ARE CONVINCED ARE FAIR ARABS ARE WILLING TO GO ELSEWHERE, IF SOMEWHAT RELUCTANTLY. 2) IN MAKING STATEMENTS AND MAKING LAWS THAT JORDANIANS SEE AS UNFAIRLY BIASED IN FAVOR OF ISRAEL IMAGE OF USG AS MIDDLE EAST PEACE MAKER SYMPATHETIC TO LEGITIMATE ARAB INTERESTS IS UNDERMINED AND APPEARS INCREASINGLY HYPOCRITICAL. NEITHER BY POLICY NOR AS FAR AS WE CAN TELL IN PRACTICE DO GOJ AGENCIES OR PRIVATE JORDANIANS FIRMS DISCRIMINATE AGAINST AMERICAN COMPANIES OR INDIVIDUALS ON BASIS OF RACE, RELIGION NATIONAL ORIGIN SEX OR AGE JORDANIANS ARE OFFENDED BY ACCUSATION HOWEVER IN DIRECT THAT THEY DO. ASSERTION THAT US ANTI BOYCOTT LEGISLATION IS NOT DIRECTLY SOLELY AT BOYCOTT OF ISRAEL IS INTERPRETED AS INSULT TO ARAB INTELLIGENCE

2. BY PERCEIVED POLITICAL NECESSITY JORDAN FOLLOWS ARAB CONSENSUS REGARDING IMPLEMENTATION OF BOYCOTT. GOJ DOES NOT BELIEVE THAT IT CAN AFFORD TO DO OTHER THINGS PARTICULARLY GIVEN ITS DEPENDENCE ON SAUDI AND OTHER CONSERVATIVE ARAB FINANCIAL SUPPORTS. AT SAME TIME JORDAN HAS NOT BEEN IN FOREFRONT OF THOSE PRESSING THE ISSUES. ANY JORDANIANS TENDENCY TO PROSECUTE BOYCOTT WILL LESS THAN FULL ENTHUSIASTIC VIGOR CAN BE SHARPLY REVERSED BY APPARENT INSULTS TO ARAB CAUSE AND ARAB PRIDE. RECENT INCIDENT IS APPROPRIATE: IN ANTICIPATION OF PASSAGE OF TAX REFORM ACT INTO LAW LEGAL COUNSEL OF US BUILDING CONTRACTOR NEW TO MIDDLE EAST ADVISED CLIENT TO OBTAIN EXEMPTION FROM JORDANIANS INCOME TAXATION IN BID (WORTH ABOUT \$10 MILLION US TO AMERICAN SUPPLIERS) SUBMITTED TO GOJ OR NOT WITHDRAW BID. POSSIBILITY OF US CORPORATE INCOME TAXATION IN ADDITION TO LOCAL INCOME TAXATION THREATENED LOSS TO COMPANY UPON EXECUTION OF CONTRACT. AMERICAN COMPANY OFFICERS SOUGHT THIS EXEMPTION AND EXPLAINED HIS REASON TO AVOID DOUBLE US AND GOJ TAXATION) TO GOJ OFFICIAL INVOLVED IN TENDERING PROCESS FOR CONTRACT WITH US BUSINESSMAN STILL IN HIS OFFICE JORDANIANS

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OFFICIAL TELEPHONED FIRMS IN EMBASSY AND ASKED POLITELY BUT BLUNTLY WHY GOJ SHOULD MAKE SPECIAL TAX CONCESSION TO ENABLE US COMPANY TO COMPETE IN JORDAN WHEN IT WAS NOW US LAW THAT PREVENTED US COMPANY FROM BEING COMPETITIVE IN FIRST PLACE.

3. REAL POSSIBILITY OF AMELIORATING EFFECTS OF ANTI BOYCOTT LEGISLATION AND RHETORIC ON ABILITY OF US

BUSINESS TO OPERATE IN JORDAN WILL DEPEND PRIMARILY UPON ARAB CONSENSUS ON BOYCOTT AND SECONDARILY ON ATMOSPHERE PREVAILING LOCALLY. AT THIS TIME, LOCAL ATMOSPHERE IS NOT GOOD. EMBASSY HAS LEARNED, FOR EXAMPLE, THAT THOUGH POLICY OF CENTRAL BANK OF JORDAN IS TO REQUIRE NEGATIVE CERTIFICATION OF ORIGIN FOR APPROVAL OF LETTERS OF CREDIT, IN FACT SOME L/C'S HAVE BEEN PROCESSED WITH POSITIVE CERTIFICATIONS. HIGH RANKING CENTRAL BANK OFFICIALS MADE THIS DISCOVERY SIMULTANEOUSLY WITH EMBASSY OFFICER. THEORETICALLY, THERE IS OPENING FOR EMBASSY TO PRESS BANK FOR FURTHER RELAXATION OR CHANGE IN POLICY. AS LOGIC WOULD SUGGEST THAT POSITIVE AND NEGATIVE CERTIFICATIONS ARE EQUIVALENT FOR PURPOSES OF ENFORCING BOYCOTT. HOWEVER, BOYCOTT IS NOT ISSUE DOMINATED BY LOGIC: WE ALSO KNOW OF RECENT CASE IN WHICH CENTRAL BANK AT HIGH LEVEL WAS ADAMANT IN INSISTENCE ON NEGATIVE CERTIFICATION. PRESENT ATMOSPHERE, GREATLY INFLUENCED BY EVENTS IN US, IS PARTICULARLY INAUSPICIOUS TO ENGAGE BANK IN DISCUSSION FOR CHANGE IN POLICY OR PRACTICE. IF PERCEIVED TO SEE CENTRAL BANK INSIST ON UNIFORM COMPLIANCE WITH REQUIREMENT FOR NEGATIVE CERTIFICATION. HOWEVER, IF, AS MANAMA 1583 SUGGESTS MAY HAPPEN, ARAB BOYCOTT MEETING RATIFIES POSITIVE CERTIFICATION, WE WOULD EXPECT JORDAN WOULD WILLINGLY FOLLOW THAT PRACTICE. WE WOULD LIKE TO FOLLOW-UP ON POSITIVE CERTIFICATION IF OCTOBER 18 ARAB BOYCOTT MEETING CREATES FAVORABLE ATMOSPHERE.

4. AGAIN SUBJECT TO CURRENT ATMOSPHERE, IT SEEMS THAT PROBLEM OF "REFUSAL TO DEAL" PROVISIONS OF CONTRACTS COULD BE OVERCOME BY FINAL SELECTION OF AMERICAN SUB-CONTRACTORS TO AMERICAN PRIME CONTRACTORS BY ARAB PURCHASERS THEMSELVES. WE HAVE NO INFORMATION CONCERNING WHETHER "REFUSAL TO DEAL" REQUIREMENT HAS

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APPEARED IN JORDANIAN CONTRACTS OR, IF SO, WHAT U.S. COMPANIES' REACTIONS MIGHT HAVE BEEN. WHILE GOJ INVESTIGATION OF POSSIBLE VIOLATIONS WOULD PROBABLY BE HAPHAZARD, WE WOULD EXPECT GOJ WOULD REACT SUFFICIENTLY NEGATIVELY TO ANY IDENTIFIED VIOLATION TO DISCOURAGE MANY U.S. FIRMS FROM RUNNING THIS RISK. EMBASSY IS ALSO AWARE OF CASES WHERE CONTRACTS WITH GOJ HAVE PROVIDED EXEMPTIONS FROM LOCAL TAXATION. WORKABILITY OF THESE TWO OPTIONS WILL BE DEPENDENT ON JORDANIAN DESIRE TO OBTAIN U.S. GOODS AND SERVICES NOT BEING OVERRIDDEN BY NECESSITY TO EXERT ARAB PRIDE BY PRESSING BOYCOTT TO ITS FULLEST EXTENT IN FACE OF EXTERNAL PRESSURES.

5. IN CONCLUSION, WE BELIEVE JORDAN WILL BE WILLING TO JOIN CONSTRUCTIVE DIALOGUE ON BOYCOTT ISSUE. ITS

FREEDOM OF ACTION, HOWEVER, WILL BE CONSTRAINED BY

1) ARAB BOYCOTT CONSENSUS AND 2) TONE AND SUBSTANCE OF FURTHER
DEVELOPMENTS IN U.S.

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